



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 12 2001

H.R. 2792 **Disabled Veterans Service Dog and Health Care** **Improvement Act of 2001**

As ordered reported by the House Committee on Veterans' Affairs on October 10, 2001

SUMMARY

H.R. 2792 would provide expanded benefits for some veterans and would consolidate several existing provisions of law that authorize health care for nonveterans into one chapter of Title 38 of the U.S. Code. The bill would direct the Department of Veterans Affairs (VA) to calculate the income thresholds for determining whether a veteran qualifies for free health care on a regional basis rather than using a single national level. The bill also would require the VA to provide chiropractic care at all VA medical centers by 2006. Finally, H.R. 2792 would extend the authority for VA to collect certain payments from both veterans and insurance companies.

H.R. 2792 would authorize funding or modify provisions governing discretionary spending for veterans' programs, which CBO estimates would result in additional outlays of about \$390 million in 2002 and more than \$3 billion over the 2002-2006 period, assuming appropriation of the necessary amounts. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 2792 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2792 is shown in the following table. This estimate assumes the legislation will be enacted near the start of calendar year 2002, that the necessary funds for implementing the bill will be provided for each year, and that outlays will follow historical spending patterns for existing or similar programs. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 2792

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
Spending Under Current Law for Veterans' Medical Care						
Estimated Authorization Level ^a	20,863	21,866	22,110	22,839	23,547	24,285
Estimated Outlays	20,418	21,501	22,020	22,613	23,298	24,028
Proposed Changes						
Income Threshold						
Estimated Authorization Level	0	420	550	680	700	710
Estimated Outlays	0	380	530	660	690	700
Chiropractic Care						
Estimated Authorization Level	0	15	34	61	89	133
Estimated Outlays	0	13	32	57	86	128
Offsetting Collections						
Estimated Authorization Level	0	0	0	0	0	0
Estimated Outlays	0	0	-85	-25	-15	-16
Total Changes						
Estimated Authorization Level	0	435	584	741	789	843
Estimated Outlays	0	393	477	692	761	812
Spending Under S. 1188						
Estimated Authorization Level	20,863	22,301	22,694	23,580	24,336	25,128
Estimated Outlays	20,418	21,894	22,497	23,305	24,059	24,840

a. The 2001 level is the estimated net amount appropriated for that year. The current-law amounts for the 2002-2006 period assume that appropriations remain at the 2001 level, with adjustments for inflation.

Income Threshold. Under current law, VA furnishes free medical care to veterans who meet certain eligibility requirements—one of which is an income threshold. Any veteran who is eligible for Medicaid, who receives a VA pension, or who has an income below a statutory level (currently \$23,688 for a veteran without a dependent) can receive free health care. Under the bill, veterans eligible for low-income housing also would qualify for free medical care. In general, the Department of Housing and Urban Development sets eligibility for low-income housing at 80 percent of each county's median income with adjustments for cost-of-living.

This provision would affect both veterans who currently receive medical care from VA and those who do not currently use VA health care services. CBO estimates that the total cost associated with expanding eligibility for free VA medical care would be \$380 million in 2002 and about \$3 billion over the 2002-2006 period, assuming appropriation of the estimated amounts.

Current VA Health Care Users. Using data from VA and the Current Population Survey, CBO estimates that under this provision about 1.4 million veterans would become eligible for free health care. CBO estimates that this number includes more than 250,000 veterans who currently use VA medical facilities but are not presently eligible for free health care. Under the bill, these veterans would no longer need to make copayments when receiving health care benefits. Because individuals use more health care services when they do not face any out-of-pocket costs, the cost of providing medical care would increase for those users who become eligible for free health care. Using data from VA and from published research, CBO estimates that those veterans receiving free health care would cost VA about \$700 more per person in 2002. Using that information and adjusting for inflation, CBO estimates that providing free health care to veterans currently using VA would cost about \$170 million in 2002 and almost \$1 billion over the 2002-2006 period, assuming appropriation of the estimated amounts.

Because the veterans discussed above would be eligible for free health care, VA also would lose the copayments that these veterans make when receiving care. CBO estimates that the lost copayments would total about \$40 million over the 2002-2006 period.

New VA Health Care Users. CBO also estimates that some veterans who do not currently use VA medical facilities because of the requirement to make copayments would do so once they became eligible for free health care. Currently, only about 20 percent of veterans eligible for free health care based on income actually use VA medical facilities. CBO expects that an even lower percentage of those who would become eligible for free health care would end up using VA medical facilities, because some of those veterans have access to health care from other sources. CBO estimates that eventually about 100,000 newly eligible veterans would begin using VA medical care at a cost of more than \$4,000 per person. CBO estimates that providing free health care to these veterans would cost \$210 million in 2002 and about \$2 billion over the 2002-2006 period, assuming appropriation of the estimated amounts.

Chiropractic Care. Under current policy, VA does not employ chiropractors and VA spends less than \$500,000 a year for veterans who see chiropractors outside of a VA hospital. Title II of H.R. 2792 would require that VA provide chiropractic care to veterans at all of its medical centers. Under the bill, VA would have to provide chiropractic services in at least 30 medical centers by the end of fiscal year 2002 and in all 172 medical centers

by the end of fiscal year 2006. In addition to seeking chiropractic care for specific problems, veterans also would be able to choose a chiropractor as their primary health care provider, instead of a medical doctor.

In order to provide chiropractic care at its medical centers, VA would need to physically modify each medical center and purchase basic chiropractic equipment. Extrapolating from a Department of Defense (DoD) report that analyzed the costs of a pilot program that provided chiropractic care at military hospitals, CBO estimates that the start-up costs for providing chiropractic care at VA medical centers would average a little more than \$100,000 per center. Additionally, based on the DoD experience and given the scope of potential chiropractic usage, CBO estimates that each medical center would need to provide a minimum of four chiropractors along with the necessary support personnel. CBO estimates that it would cost almost \$800,000 in 2002 to staff and operate a chiropractic center. Accounting for both the gradual implementation under the bill and a two-year adjustment period for each medical center, CBO estimates that implementing title II would cost \$13 million in 2002 and \$316 million over the 2002-2006 period, assuming appropriation of the estimated amounts.

Offsetting Collections. Under current law VA has the authority to bill third-party insurance for veterans with a service-connected disability who receive care that is not related to the service-connected disability. VA also has the authority to collect a \$10 daily payment for hospital stays and a \$5 daily payment for nursing home stays from all veterans who do not qualify for free healthcare. Both of these authorities expire on September 30, 2002. These collections are currently deposited into the Medical Care Collections Fund (MCCF). Under current law, amounts deposited to the MCCF are considered to be offsets to discretionary appropriations and spending from the MCCF is subject to annual appropriations. Section 107 would extend these authorities through September 30, 2007.

Based on information from VA, CBO estimates that in 2001 VA will collect more than \$190 million from third-party insurance companies and about \$3 million from the daily payments. Accounting for inflation and increased usage, CBO estimates that implementing this provision would increase offsetting collections deposited to the MCCF by \$213 million in 2003 and \$907 million over the 2003-2006 period.

Subject to annual appropriations, VA can spend the money in the MCCF to provide medical care for veterans. CBO estimates that implementing section 107 would increase discretionary spending on medical care for veterans by \$128 million in 2003 and \$766 million over the 2003-2006 period, assuming appropriation of the collected amounts. Because CBO assumes that VA will spend the collections, the estimated budget authority for collections and spending offset each other exactly, while the outlays lag behind spending.

Service Dogs. H.R. 2792 would authorize VA to provide service dogs to veterans with certain disabilities. According to information from VA, the department does not actually provide the service dogs but serves as an intermediary between eligible veterans and the nonprofit organizations that train the service dogs. Because these organizations typically pay for the travel and training costs associated with a veteran receiving a guide dog, CBO estimates that this provision would have no budgetary impact.

PAY-AS-YOU-GO CONSIDERATIONS: None

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2792 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On September 10, 2001, CBO prepared an estimate for S. 1188, the Department of Veterans Affairs Medical Programs Enhancement Act of 2001, as ordered reported by the Senate Committee on Veterans' Affairs on August 2, 2001. The provision relating to determining income thresholds for free medical care is the same in both bills. H.R. 2792 also includes a requirement for chiropractic care and extends the authority for VA to collect certain payments from veterans and insurance companies, while S. 1188 does not. S. 1188, in turn, provides increased benefits to VA employees which H.R. 2792 does not.

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